

Utah!

Where ideas connect

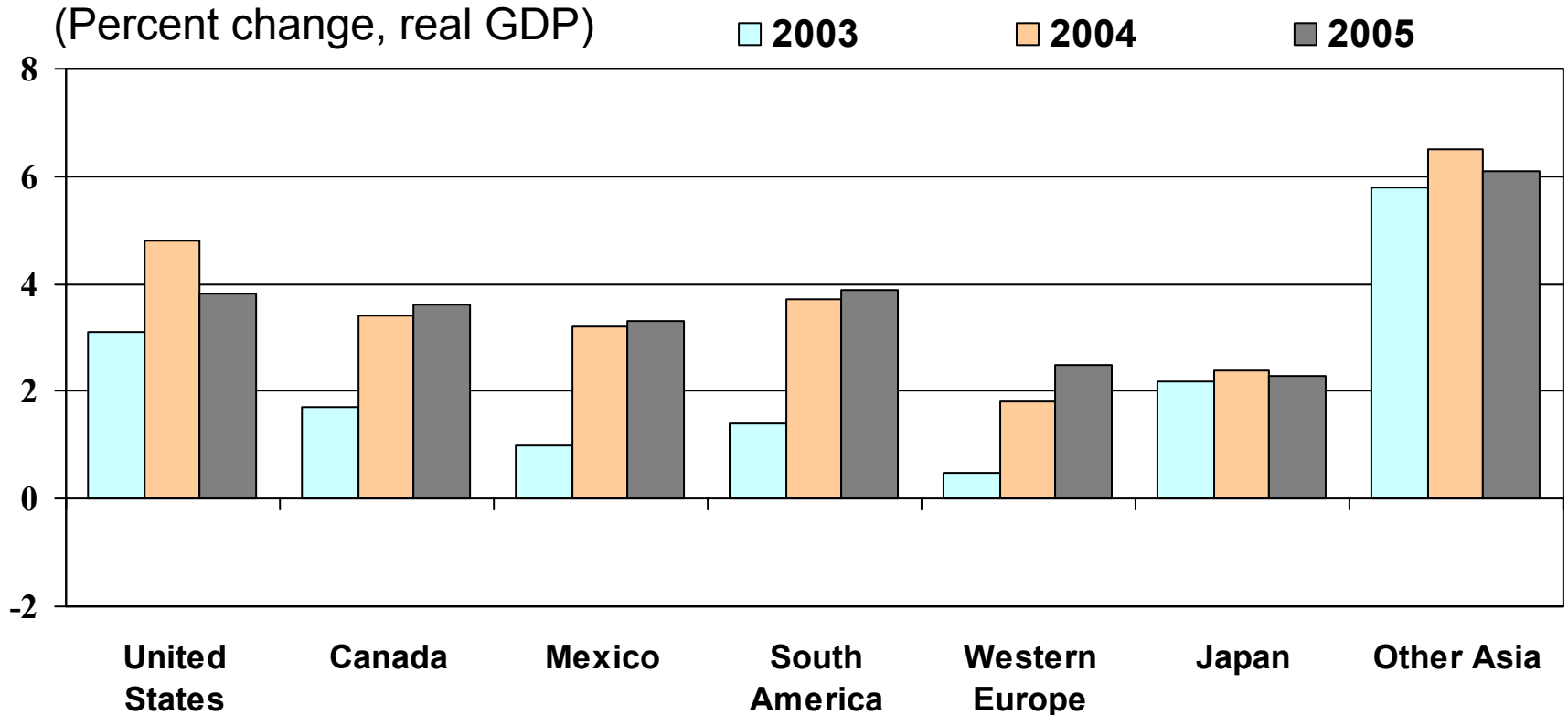
EXTERNAL MARKETING UPDATE

Inbound Tourism to Utah



Utah Division of Travel Development
March 2004

GROWTH VARIES BY REGION

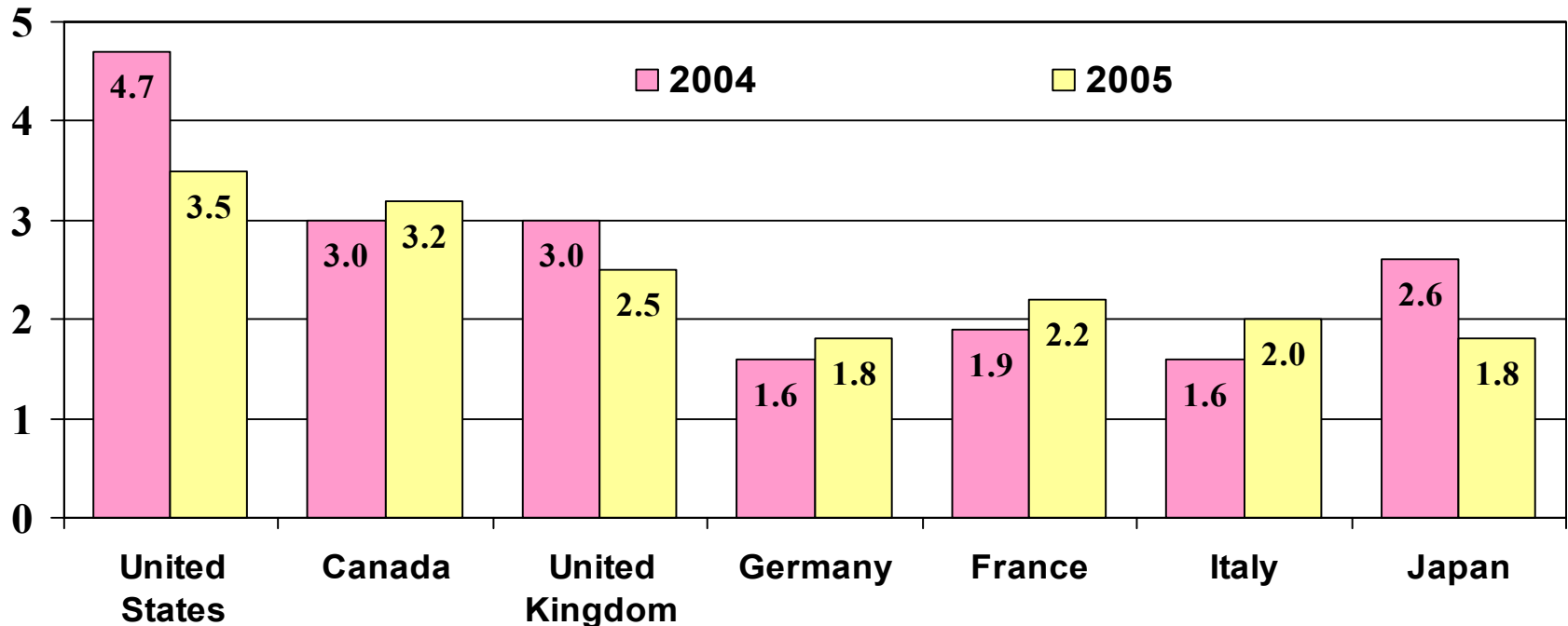


- Respectable growth from North America
- Strong bounce back in South America
- Slow growth in Western Europe and Japan
- Rapid acceleration from Other Asia (esp. China, Korea)

SOURCE: Global Insight, Feb. 2004

Stronger Growth IN 2004!

Economic Forecast for 2004 and 2005 GDP Growth Rates



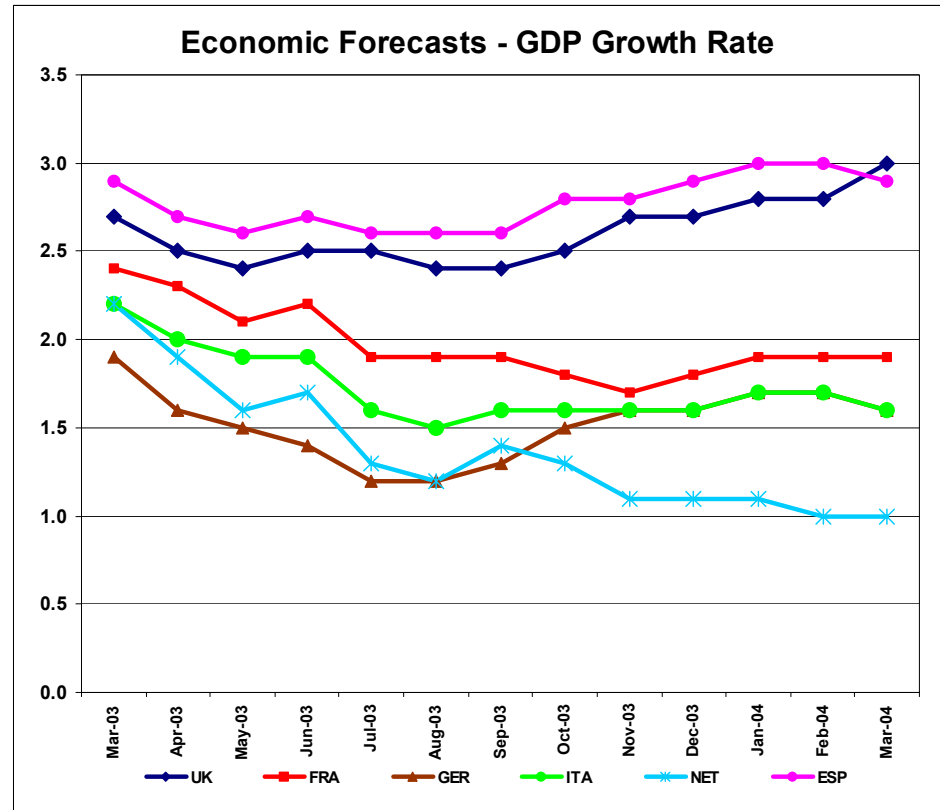
- 2004 will be better than previous years
- Jobless recovery continues in U.S.
- Slower growth in Europe but still an improvement
- Japanese recovery continues
- Trade deficits a concern for U.S. and U.K.

EUROPEAN RECOVERY?

HIGHLIGHTS

- Eurozone - strongest expansion in last four years
- Still, Eurozone GDP growth of just 1.8% forecasted
- Germany: Slow growth, but growth nonetheless
- Italy, France, Netherlands stagnant, but should grow in 2005
- High value of Euro will make firms cautious about investment and employment
- Trend – slow growth in 2004, improvement in 2005

Slow growth or stagnation



SOURCE: The Economist poll of forecasters, March 2004;

Global Insight, February 2004

Global Setting

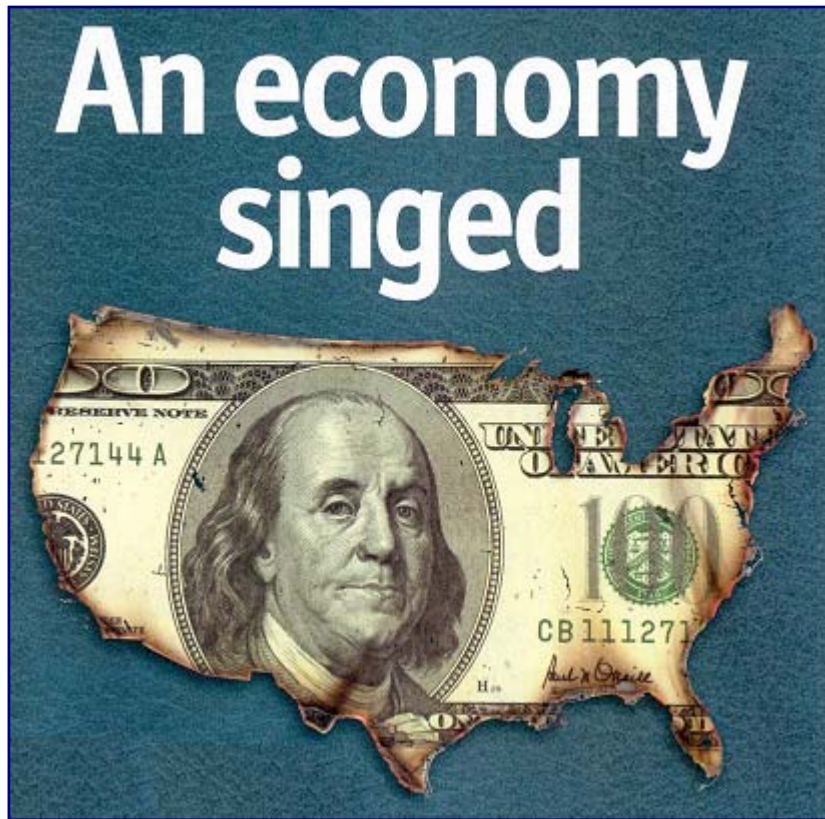
Still Face Uncertainty

- World Economy – strongest growth since 2000
- Eurozone and Japan worrisome
- U.S. and China will have large share of expansion
- Geo-political Concerns
- Strong Euro, weak dollar
- SARS Impact diminished
- Industry-Specific Challenges



U.S. ECONOMIC OUTLOOK

U.S. economy poised for dramatic growth in 2004



- U.S. economy had strong second half of 2003, leading to predicted GDP growth of 4.8 in 2004, best in 20 years
- Productivity gains account for the increase in GDP, employment gains are significantly less than expected
- A weakened dollar is strengthening U.S. exports – should also increase the number of international visitors to the U.S.
- Lack of inflationary pressure, Fed may not raise interest rates until August

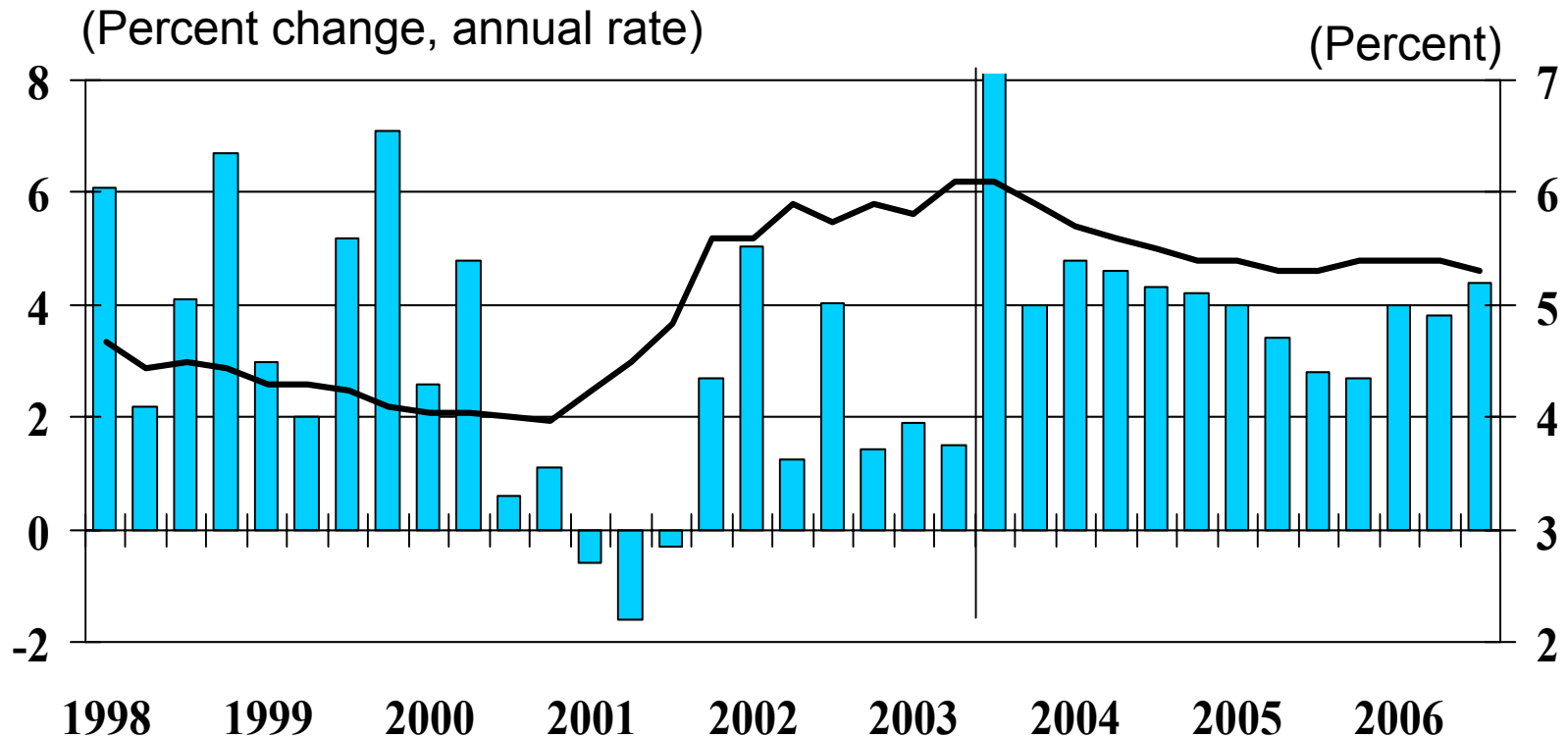
RECOVERY FORCES ARE IN PLACE

SUMMARY

- Consumer spending will improve with large tax refunds in first part of year, and increased hiring in second half of year
 - Record high gas prices could negatively affect consumer spending
- Investment in equipment and software will be strong
- Residential investments will post strong gain
- Weak dollar will should improve trade and GDP growth
- Low inflation, Fed will move slowly when it starts to raise rates



STRENGTHENING U.S. EXPANSION

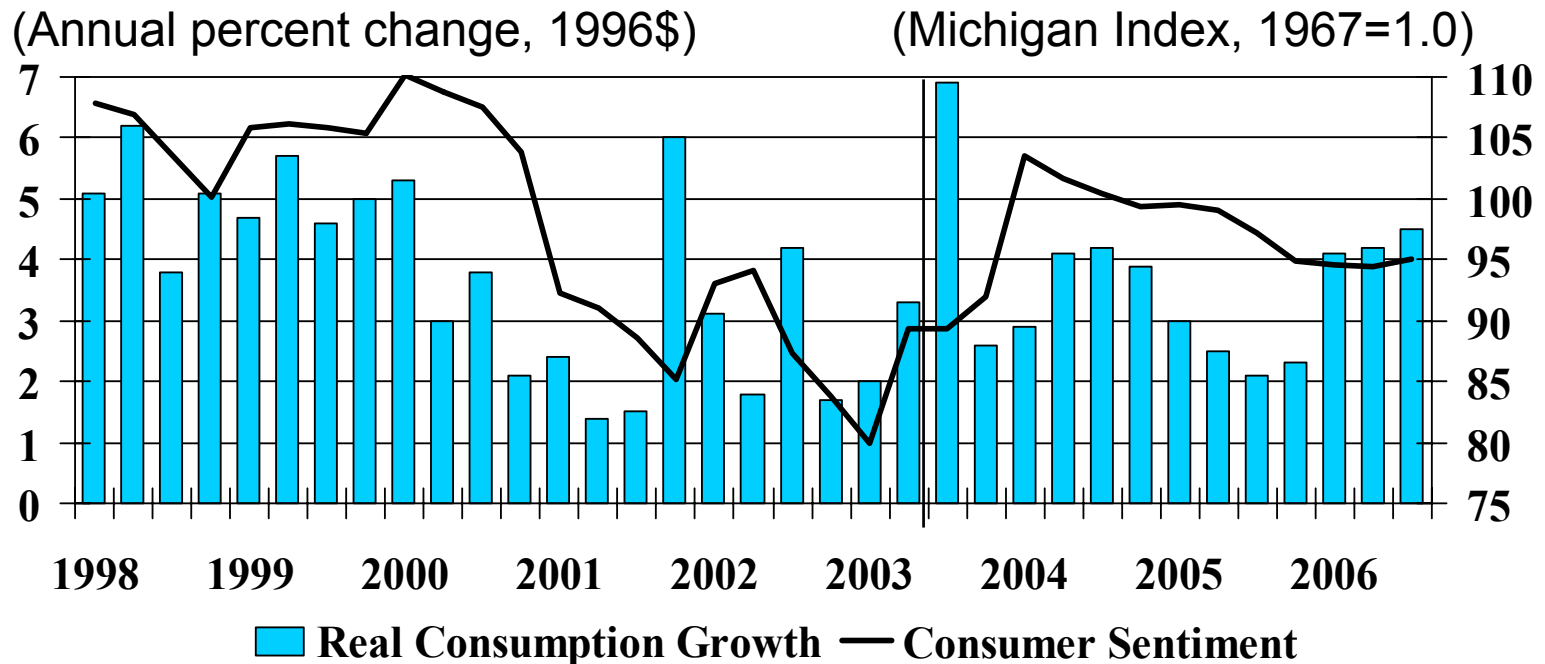


- Strong GDP Growth in 2004 driven by exports and business fixed investments
- Unemployment should gradually improve, but at a slower rate than was originally expected after the GDP growth seen in the last half of 2003

SOURCE: Global Insight, February 2004

THE CONSUMER ENGINE

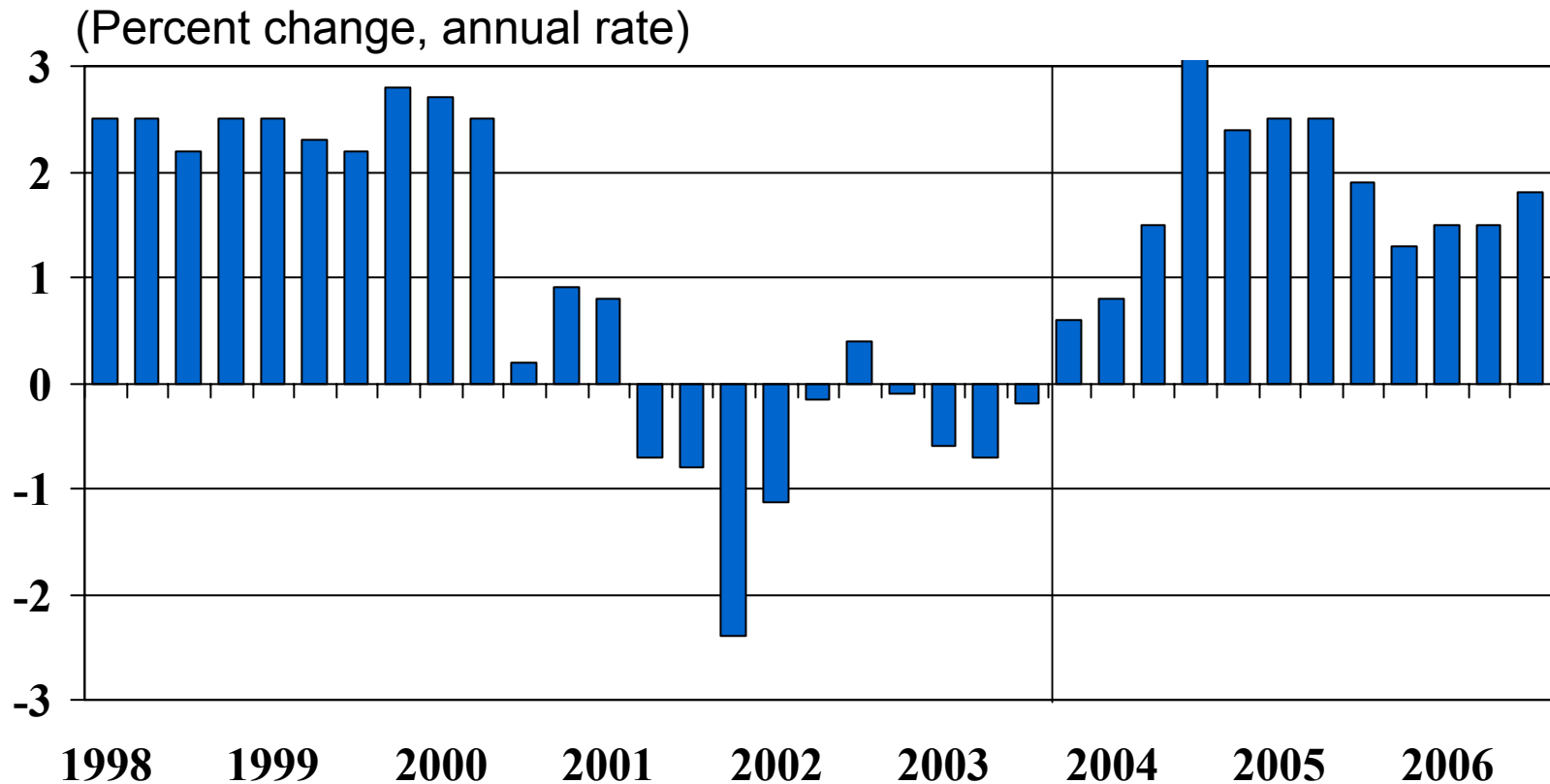
Confidence and Spending



- Consumer optimism fell in February 2004, as presidential primaries focused on employment and global outsourcing trends
- Spending will accelerate as result of job growth, elevated stock prices, buoyant housing market, and federal tax cuts.

EMPLOYMENT GROWTH

The U.S. lost nearly 3 million jobs from 2001 to Summer 2003



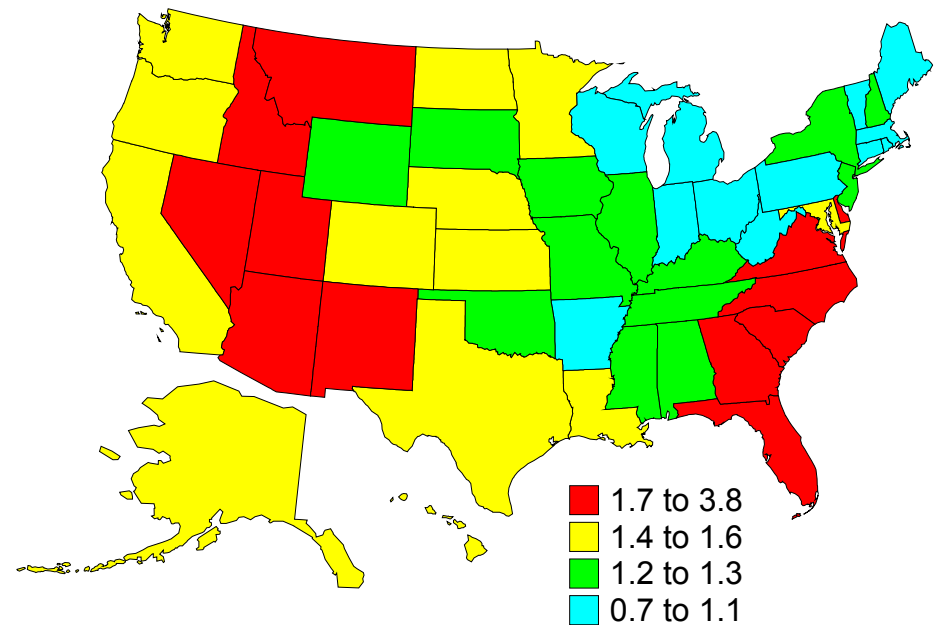
- Employment should slowly improve, picking up steam in the second half of 2004

JOB RECOVERY LED BY WESTERN AND SOUTHERN REGIONS

HIGHLIGHTS

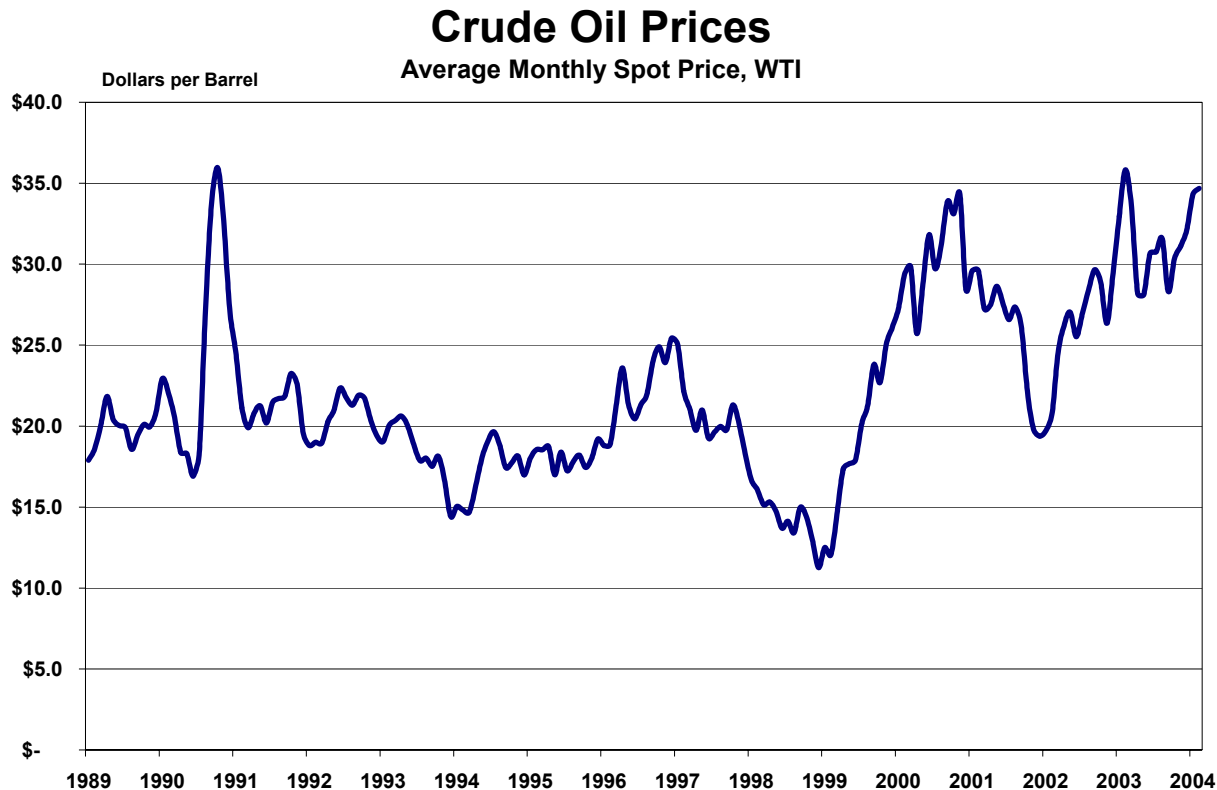
- Mountain and South Atlantic states will surge ahead with both job and population growth over the next five years
- Manufacturing regions will continue to struggle
- Technology centers will make a gradual comeback

(Annual percent change, 2003-08)



SOURCE: Global Insight, March 2004

ENERGY PRICES VERY HIGH



- Gasoline prices have hit an all-time high due to high oil prices
- Other factors (high demand, mandatory refinery repair schedules, and limited supply) are also impacting prices
- Biggest impact is on household budgets as retail prices remain high versus last year

SOURCE: Energy Information Administration;

AAA

RELEVANT LIFESTYLE CHANGES

EMPOWERMENT AND CONNECTIONS

The effects of 9/11, the war on terrorism, and the economy have driven consumers to embrace what matters most. Authenticity and substance are paramount. Effective marketers must present a message that emotionally resonates with what consumers value!

- **Family comes first:** an existing trend that was strengthened after 9-11
- **True leisure:** make the vacation as risk free as possible, without over-promising. Help those who help themselves to leave satisfied, not frustrated
- **My Life, My Way:** don't try to package individuality; rather, create systems and products that allow consumers to express their individuality. Be creative, embrace diversity, and drive value
- **Look to your own Backyard:** increasing drive travel, mini-escapes, and weekend getaways make this among the most lucrative markets... and don't forget previous customers

IMPLICATIONS OF SOCIAL TRENDS

HIGHLIGHTS

- Consumers want safe environments to reconnect with family, nature, and themselves
- Consumers expect options, discounts, and control, thus destinations must offer convenience, flexibility, and variety
- Consumers are searching for value (often online & through personal networks)
- Personal economics are driving travel decisions
- Consumers are placing greater emphasis on spirituality, health, and wellness
- Demographics are driving growth strategies (matures, minorities, and women)

WHAT IT MEANS FOR TRAVEL

HIGHLIGHTS – Economic & Social Trends

- Domestic trips should continue to grow
- More international visitors should come to U.S. due to weak dollar and general acceptance of current geopolitical conditions
- Leisure travel steady/growing -- business travel sluggish
- Strong family-based travel (VFR & family-friendly places)
- Niche markets moving mainstream (adventure, cruise, spa, RV, heritage, eco/geo-tourism)
- Focus on destination uniqueness (local foods, distinctive lodging, specialty shopping, special events, cultural attractions)
- Western region offers best prospects: drive vacations, mini-escapes, and weekend getaways

SOURCE: TIA

WHAT IT MEANS FOR TRAVEL

HIGHLIGHTS – Economic & Social Trends

- Utah-specific demand is increasing as evidenced by interest in new product, anecdotal observations, improving economies, declining dollar values, Olympic afterglow, and Internet effect. Project modest growth of 4-6% in long-haul travel to Utah
- Cautiously optimistic projections are based on Oly games goodwill, image and awareness gains, 18% appreciation rate of the euro against the dollar, growing need to touch nature, and super-aggressive marketing done by Las Vegas
- Threats to reaching the projections include the diminished image and reputation of the U.S. abroad and access hurdles

**SOURCE: TIA; Utah Division of Travel
Development**

WHAT IT MEANS FOR TRAVEL

HIGHLIGHTS – Economic & Social Trends

- Europeans choose their leisure destination based on environment over cost:
 - For nearly half of Europeans surveyed, environmental features (scenery 49%, climate 45%) are the top determining factors they consider when choosing a leisure destination
 - The cost of travel (35%) and the cost of lodging (33%) were lesser factors
- The average European traveler to the U.S. is a repeat visitor, visits for leisure, and is more independent than in the past
- Wholesale trade/tour operators continue to experience consolidation and increasing competition from non-traditional product distribution
 - In addition, European travel trade has become more highly integrated

INTERNATIONAL TOURISM

International travelers represent high value visitors, spending nearly twice as much per trip as domestic travelers

Top Markets to Utah

- Canada
- Germany
- UK
- France
- Japan
- Italy
- Mexico
- Australia
- Netherlands

THE WORLD



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;
Menlo Consulting Group, Inc.

INTERNATIONAL TOURISM

Recent survey data points to continued international visitation to Utah

Survey of Moab Visitors, 2002

Total International Visitors: 15%

- Canada 24%
- United Kingdom 16%
- Germany 14%
- France 12%
- Switzerland 7%
- Italy 6%
- Netherlands 5%

Ski Utah Skier and Snowboard Survey 2002-03

Total On-Mountain Int'l. Visitors: 3%

- United Kingdom 27%
- Canada 17%
- Mexico 7%
- Germany 7%
- Australia 7%

According to a survey of website visitors to utah.com, over 30% are from outside the U.S.

INTERNATIONAL TOURISM RISK ASSESSMENT

UPSIDE POTENTIAL

- Exchange rate fluctuations will make the U.S. a more affordable destination
- After two consecutive down years, pent up demand should stimulate an aggressive return to the U.S. market
- Emergence of Asian markets should add significant numbers of consumers to the marketplace in future years
- With advent of EU, consumer protection legislation more highly regulates the industry and harmonizes travel business practices.

DOWNSIDE RISKS

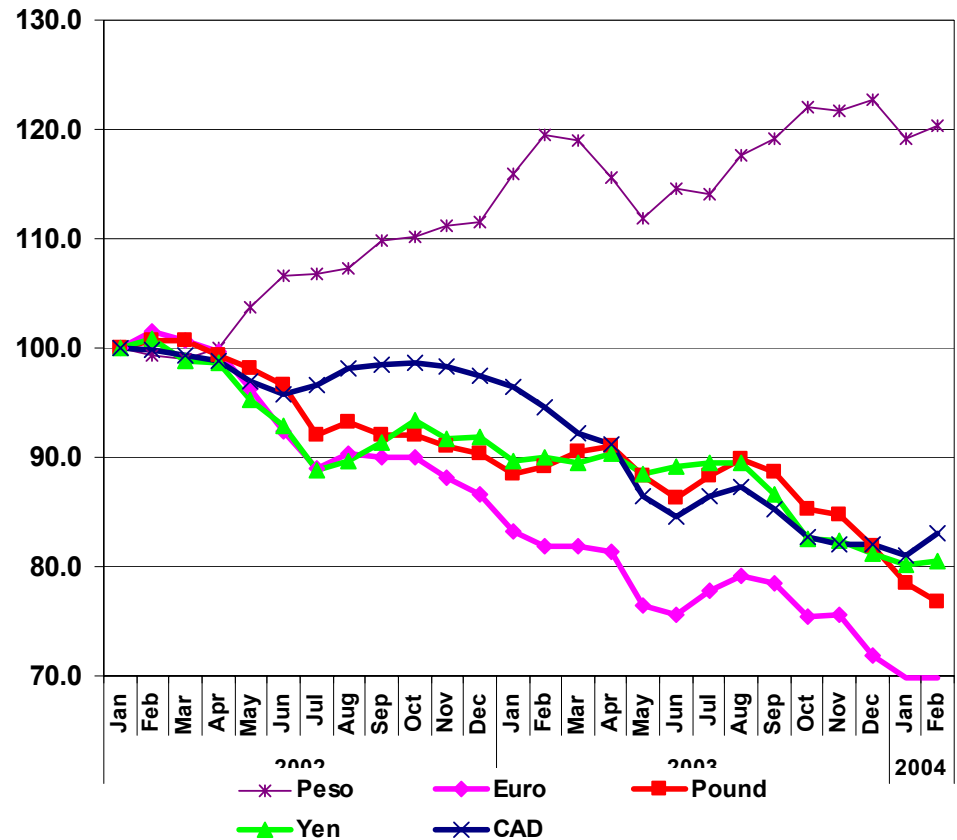
- Long-term geo-political tensions could threaten long-haul travel demand
- Lack of economic growth in Europe and Japan may dampen viability of long-haul vacations in the short-term
- Increasing competition from emerging markets places competitive pressures on mature destinations
- U.S. policy continues to raise access barriers – tighter security is seen as regrettable but necessary – aggravation arises from inconsistent application of the policy

U.S. MORE AFFORDABLE

- The value of the U.S. dollar has fallen about 13.6% on average since January 2003 against most major currencies
- The Euro has gained about 18% versus the U.S. Dollar while the Canadian dollar has gained approximately 19%
- Improved exchange rates should make U.S. vacations more attractive from international markets

Exchange Rate Index vs. US Dollar

Avg. Monthly Exchange Rate, January 2001=100



SOURCE: The Federal Reserve Bank of New York

Thomson Datastream in The Economist, March 13th-19th 2004

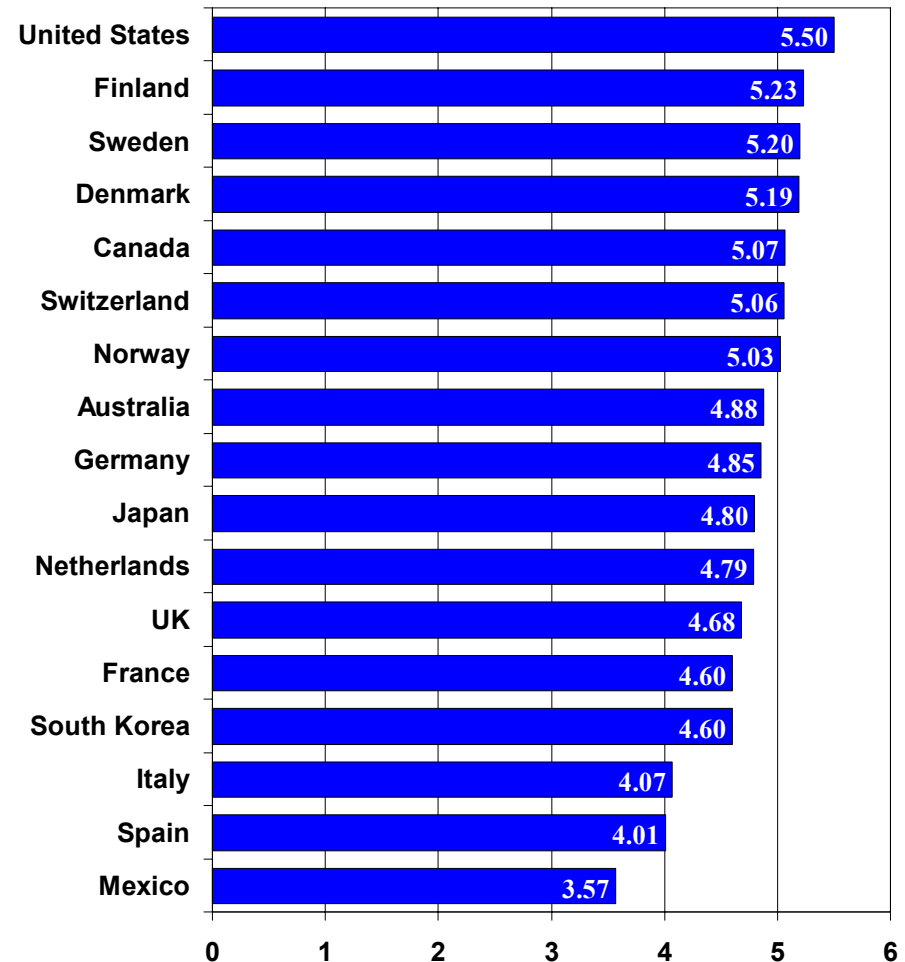
TECHNOLOGY ADAPTATION

“The backbone of future tourism marketing and distribution systems!”

HIGHLIGHTS

- Information and communications technology (ICT) is a catalyst for social transformation and national growth
- Top performers in key ICT infrastructure are Iceland, U.S., and Switzerland
- Top performers in consumer readiness to take advantage of ICT are Scandinavia, US, Singapore, and Denmark
- Top performers in consumer usage of ICT are US, Singapore, Scandinavia, Canada, Switzerland

**Networked Readiness Index
2003-04 Scores**



SOURCE: World Economic Forum, Global Information Technology Report 2003-2004

TECHNOLOGY ADAPTATION

“The backbone of future tourism marketing and distribution systems!”

HIGHLIGHTS

- While 55% of European visitors book their U.S. travel through a travel agent, use of the Internet for research and trip planning has demonstrated a significant gain (from 8% in 1999 to 28% currently)
- European broadband subscriptions will outpace the U.S. by 2007
- May be wise to design and test new e-commerce mechanisms that may facilitate more progressive operators direct booking programs at much lower cost than the subsidization of product brochures



SOURCE: Jupiter Research

INTERNATIONAL TRAVEL TO THE U.S.

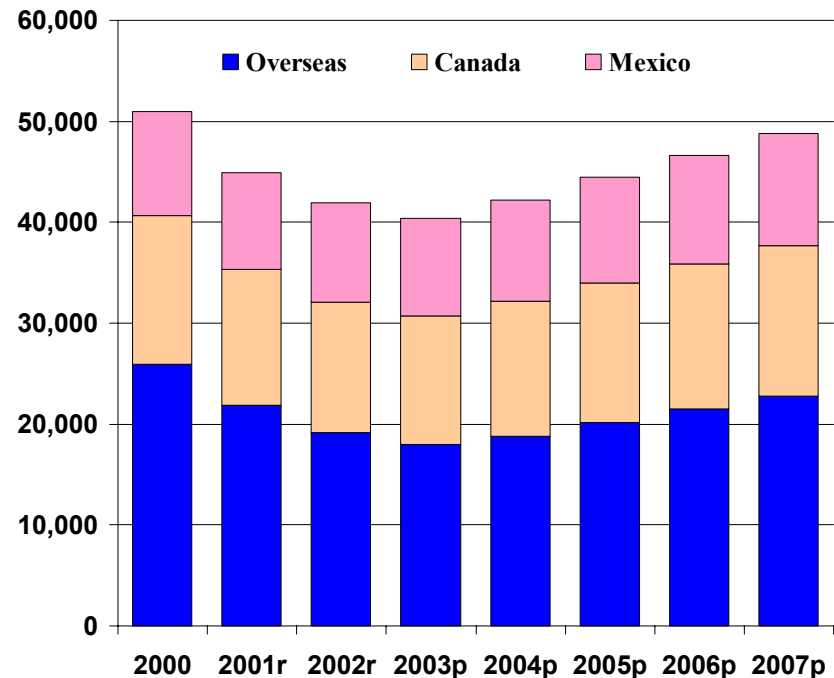
ECONOMIC NEWS

Moderate growth in North America combined with stagnant conditions in Western Europe and Japan have presented numerous challenges to the global economy. North America and emerging Asia present the greatest growth potential in the short-term.

TOURISM NEWS

Overseas arrivals will nearly return to 2000 levels by 2007. Stronger growth from North America means U.S. destinations will increasingly rely on travelers from Mexico and Canada.

International Travelers to the US





CANADA

ECONOMIC NEWS

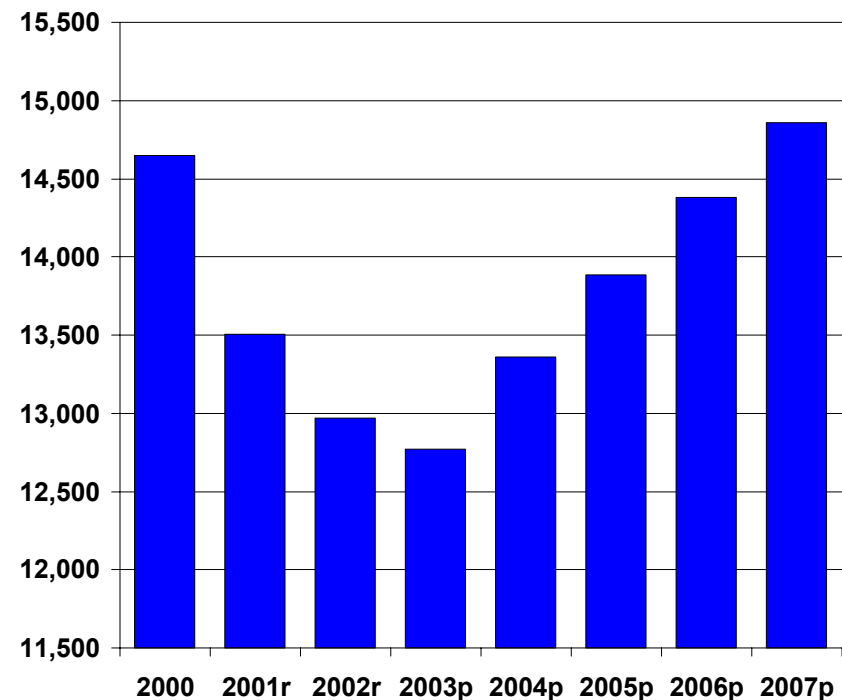
The continued strength of the Canadian dollar (up approximately 17 percent from its low in early 2002) along with a buoyant economy (up over 3 percent per year from 2003 to 2007) will contribute to an increase in arrivals. History has shown that Canadian travel to the U.S. is influenced significantly by the strength of its currency.

TOURISM NEWS

Canada will remain the largest international market for travel to the U.S. After three years of decline, Canadian arrivals should begin increasing again in 2004, with arrivals reaching and surpassing 2000 levels in 2007.

SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries

Canadian Travelers to the US





MEXICO

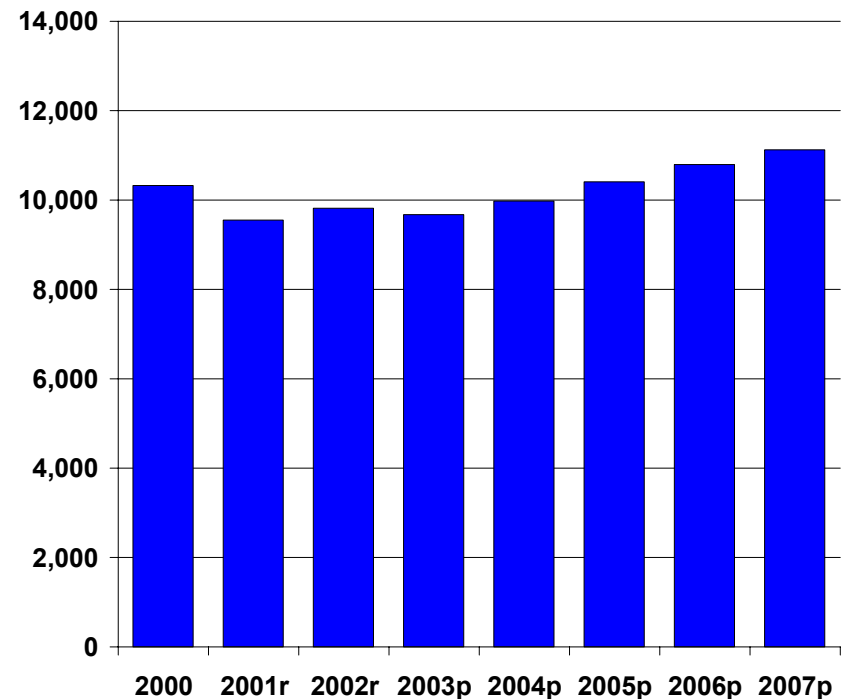
ECONOMIC NEWS

According to preliminary estimates from the Banco de México (Banxico, the central bank) GDP growth reached 1.3% in 2003. The Economist Intelligence Unit maintains its forecast of average GDP growth of around 3% in 2004-05.

TOURISM NEWS

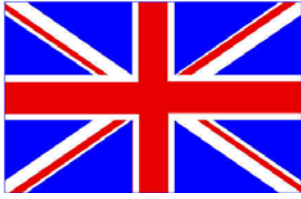
Increases from 2004 through 2007 will contribute to an overall 13 percent expansion from the 2002 levels to over 11 million visitors. The U.S. attributes to 85% of all Mexican outbound travel.

Mexican Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;

Economist Intelligence Unit – Country Forecast



UNITED KINGDOM

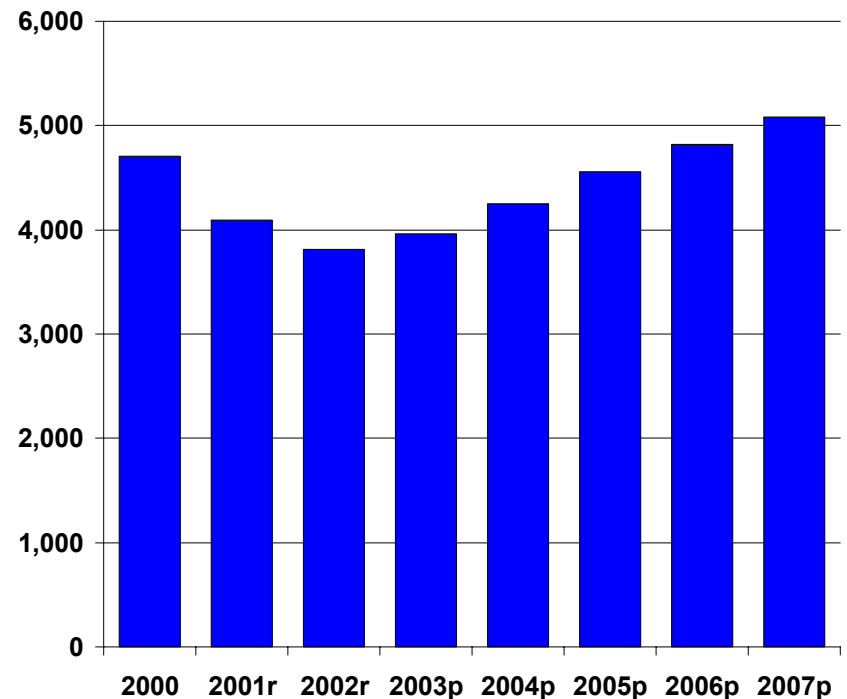
ECONOMIC NEWS

The star of the European market continues to be the United Kingdom. Indicators show their economy maintaining good strength and the Sterling is expected to hold up well over the forecast period. Contributing factors will be UK GDP growth, improving modestly, from flat in 2003 to just over one percent in 2004, and a stronger currency.

TOURISM NEWS

The UK will reinforce its top overseas market position as we look to the British to be the most resilient source market for the U.S. Visitation is projected to increase by 33 percent over the forecast period.

UK Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries



GERMAN-SPEAKING

(Germany, Switzerland, Austria)

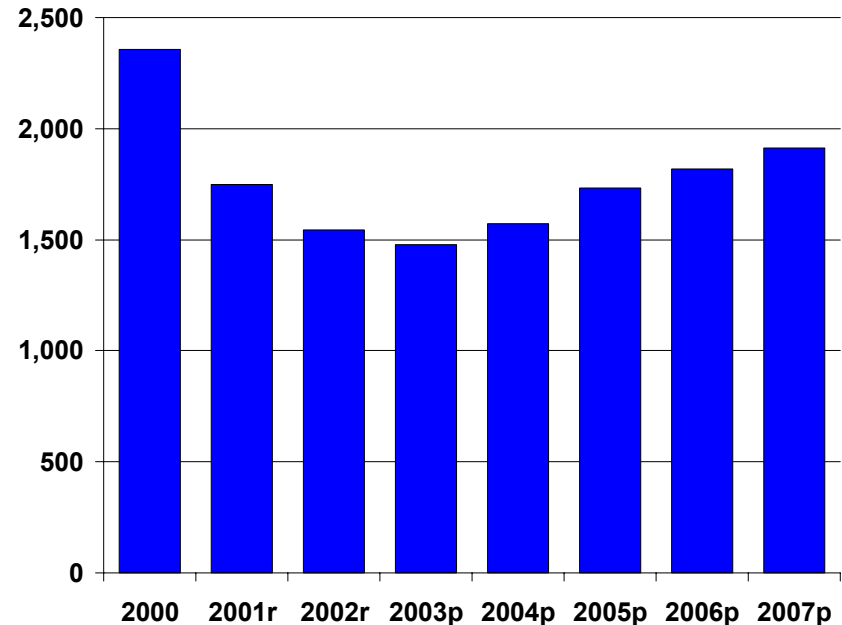
ECONOMIC NEWS

Growth is expected to rise to 1.6% in 2004 and to 1.8% in 2005. Inflation will fluctuate at around 1% in the forecast period.

TOURISM NEWS

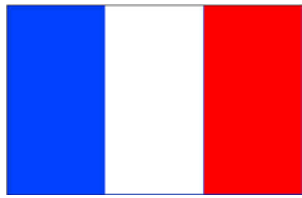
Although Germans are the world's most active international travelers, recent travel to the U.S. has diminished due to economic and social considerations. Arrivals will remain well below 2000 levels through 2007. German arrivals are forecast to increase by 24 percent from 2002 through 2007.

German-Speaking Travelers
to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;

Economist Intelligence Unit – Country Forecast



FRANCE

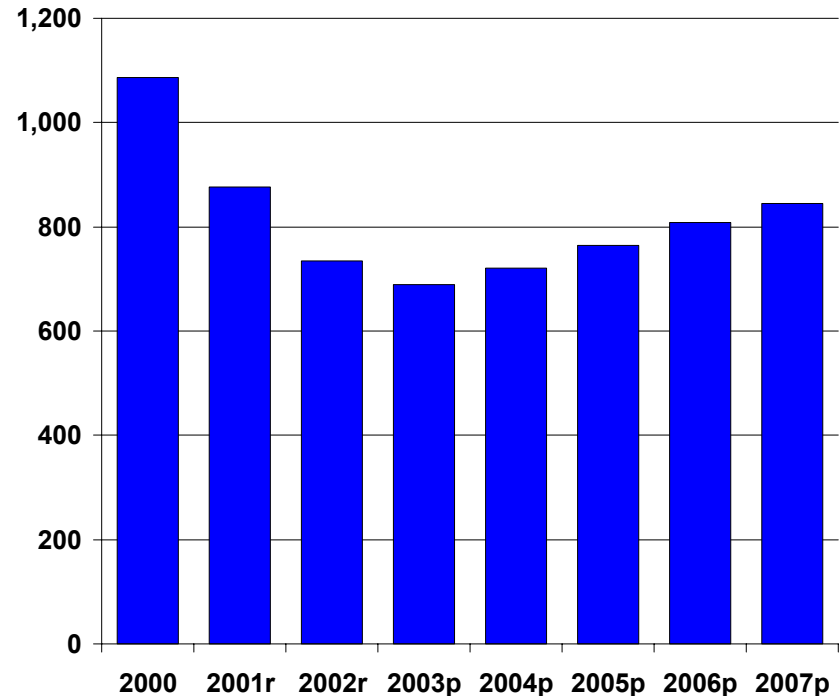
ECONOMIC NEWS

After increasing by just 0.2% in 2003, economic activity will accelerate, growing by 1.8% in 2004 and by 2.3% in 2005.

TOURISM NEWS

After three consecutive years of declines, U.S. arrivals from France should begin a modest recovery in 2004, and an increase of 23% from 2003 through 2007.

French Travelers to the US



**SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;
Economist Intelligence Unit – Country Forecast**



BENELUX

(Netherlands & Belgium)

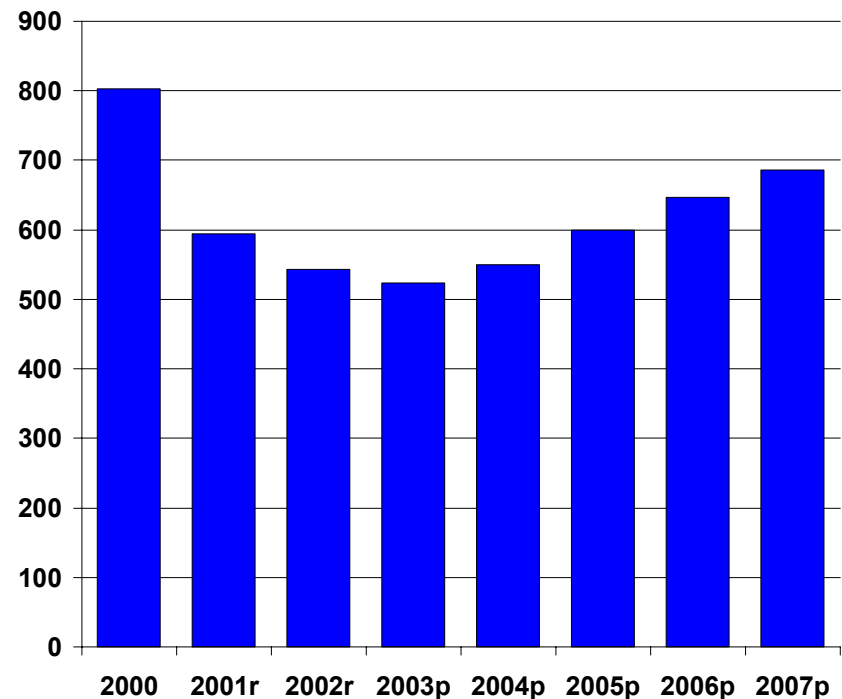
ECONOMIC NEWS

The economy will recover gradually in 2004 and 2005 led by private consumption and investment, but will be held back by the effect on the foreign balance of a stronger euro.

TOURISM NEWS

The Benelux markets experienced dramatic declines in visitation from 2001 through 2003. However, recovery has slowly begun, although arrivals will not likely reach 2000 levels during the forecast period.

Benelux Travelers to the US



**SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;
Economist Intelligence Unit – Country Forecast**



ITALY

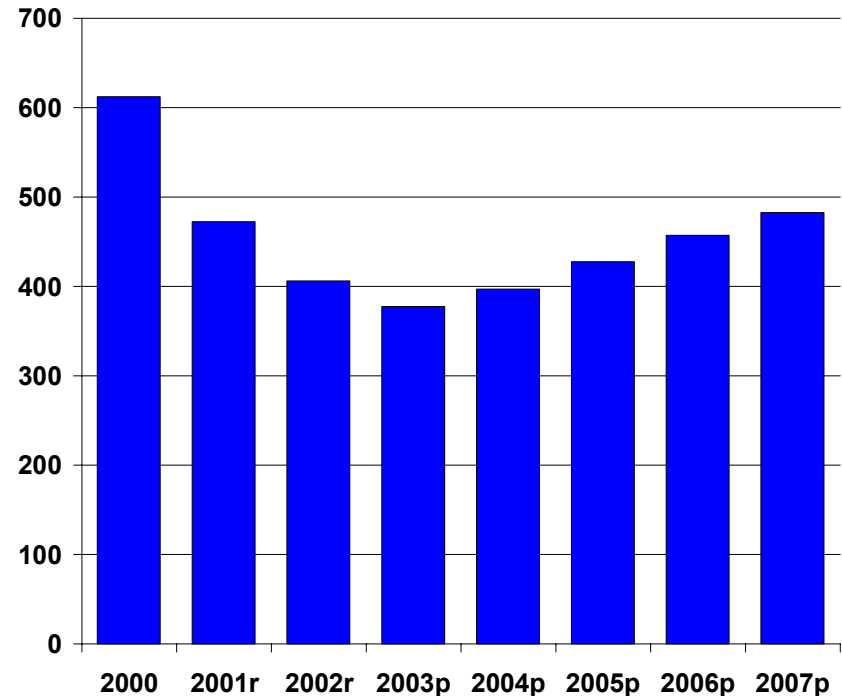
ECONOMIC NEWS

GDP growth is expected to pick up from an estimated 0.4% in 2003 to about 1.2% in 2004 and further, to 1.6 % in 2005.

TOURISM NEWS

After three years of declines, gradual improvement should occur. Beyond this 2003, arrivals should increase steadily although they will not surpass 2000 levels until after 2007.

Italian Travelers to the US



**SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;
Economist Intelligence Unit – Country Forecast**



SPAIN

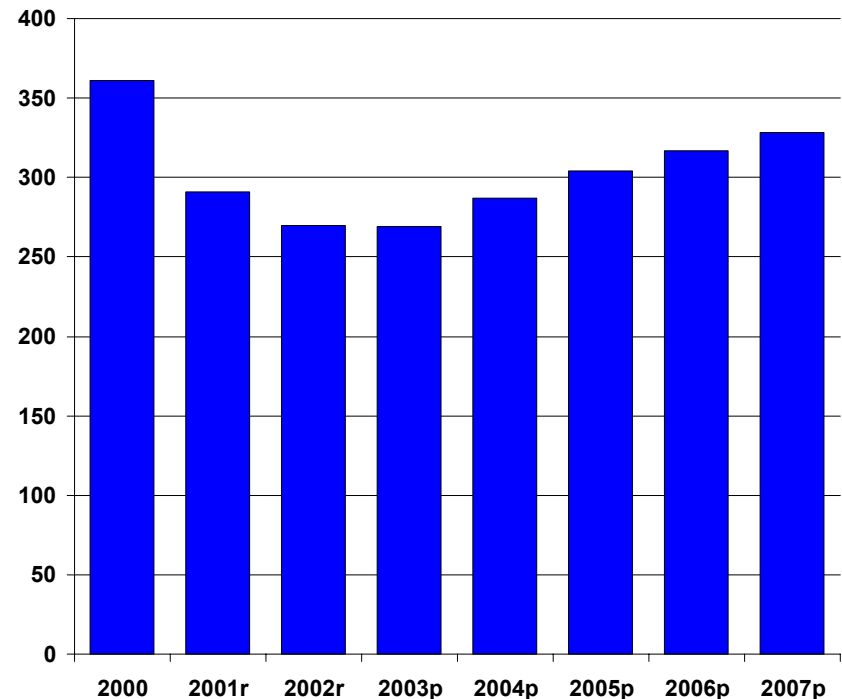
ECONOMIC NEWS

A group of forecasters polled by *The Economist* in March expects GDP to grow by 2.9% in both 2004 and 2005, with consumer price inflation of 2.5% both years.

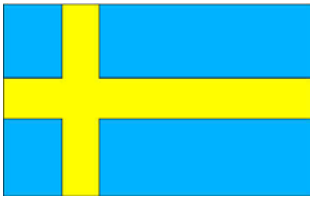
TOURISM NEWS

Although 2003 virtually mirrored 2002, the number of Spanish travelers coming to the U.S. is expected to steadily increase in coming years. However, year-2000 levels are not expected to be met until sometime after 2007.

Spanish Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;
Economist Intelligence Unit – Country Forecast



SCANDINAVIA

(Sweden, Denmark, Norway, Finland)

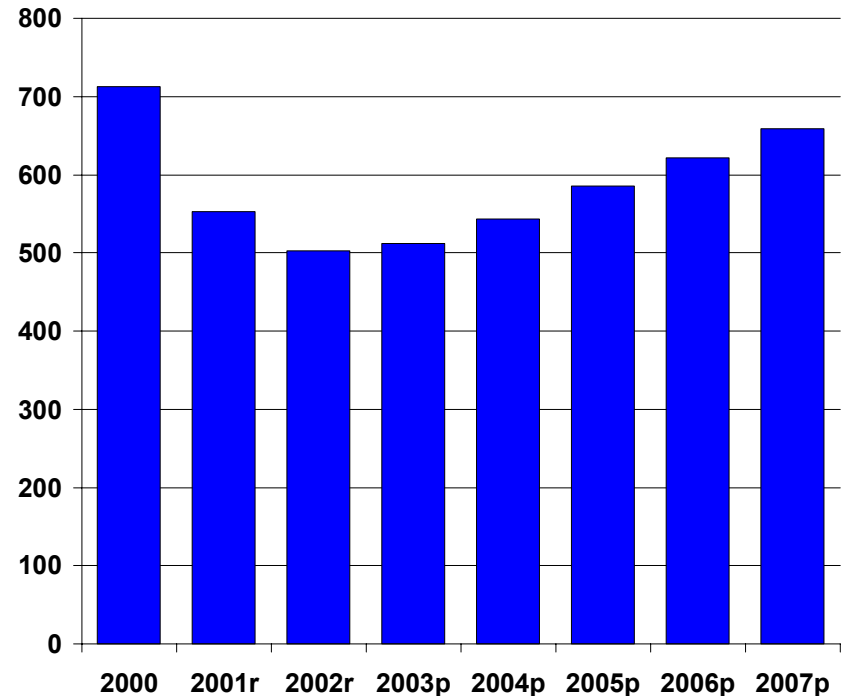
ECONOMIC NEWS

A recovery is well underway in many of the Scandinavian markets, although the lack of jobs in Sweden and Denmark is a concern.

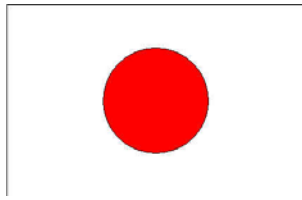
TOURISM NEWS

In addition to the post-9/11 declines in travel, the collapse of the telecom and IT bubbles also severely impacted travel from Scandinavia. However, after a slow recovery through 2003, growth in arrivals should accelerate. Nonetheless, the number of travelers will fall short of year 2000 levels at least through 2007.

**Scandinavian Travelers
to the US**



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;
Economist Intelligence Unit – Country Forecast



JAPAN

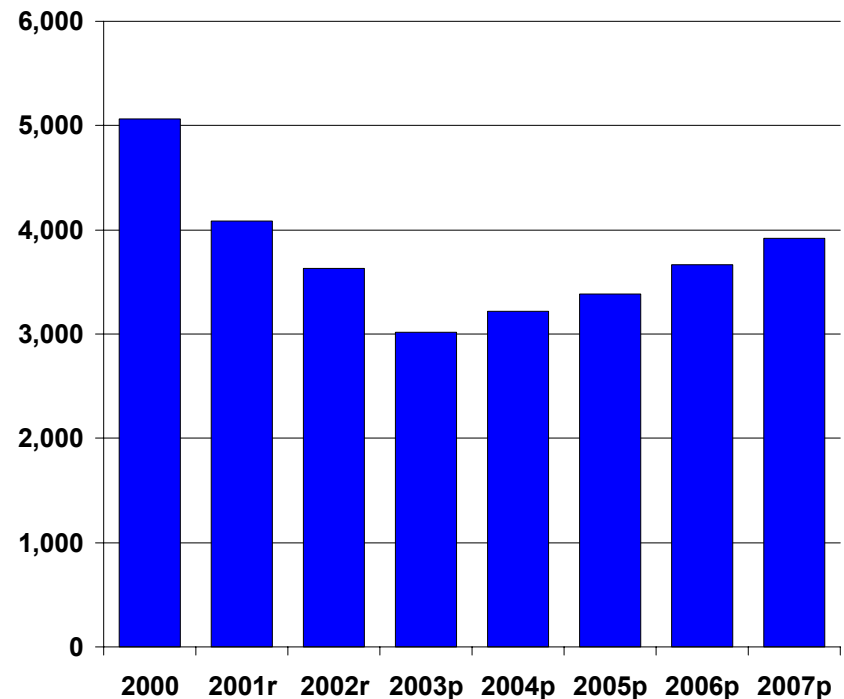
ECONOMIC NEWS

Japan's immediate economic outlook remains upbeat; in early 2004, business investment should continue to rise, since industrial production and machinery orders were up at the end of 2003. The Economist Intelligence Unit predicts that GDP will grow by 2.8% in 2004 and 1.3% in 2005 and 2006.

TOURISM NEWS

Most Asian arrivals to the U.S. come from Japan. The number of travelers should increase from 2004-2007, but will fall short of year 2000 levels.

Japanese Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;
Economist Intelligence Unit – Country Forecast



SOUTH KOREA

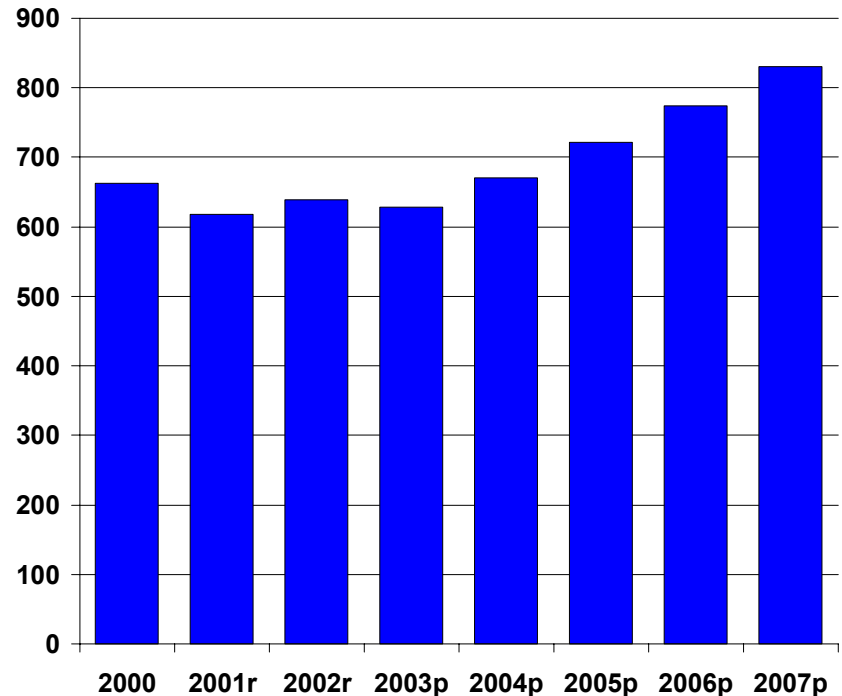
ECONOMIC NEWS

Real GDP will grow by 5.2% in both 2004 and 2005, after estimated 2.7% growth in 2003. Inflationary pressures will remain subdued.

TOURISM NEWS

Having lost little ground in the previous three years, Korea is poised as a major growth market over the next several years. The effects of SARS have lessened, and growth should resume in 2004. Uncertainty regarding North Korea could negatively affect the forecast.

Korean Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;

Economist Intelligence Unit – Country Forecast



AUSTRALIA

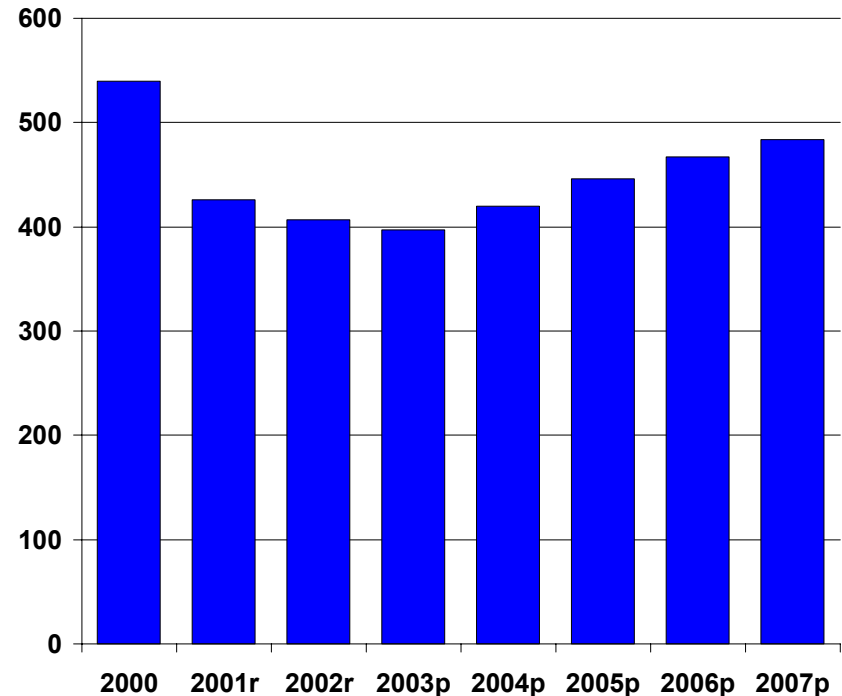
ECONOMIC NEWS

The economy grew during 2003 and economic growth is projected accelerate. A recovery in external demand and a rebound in farm output will underpin the growth.

TOURISM NEWS

Although a relatively small market, U.S. arrivals are concentrated on the west coast. The market should begin to recover from its three-year decline in 2004, but remaining well below its 2000 levels through 2006.

Australian Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;

Economist Intelligence Unit – Country Forecast



Brazil

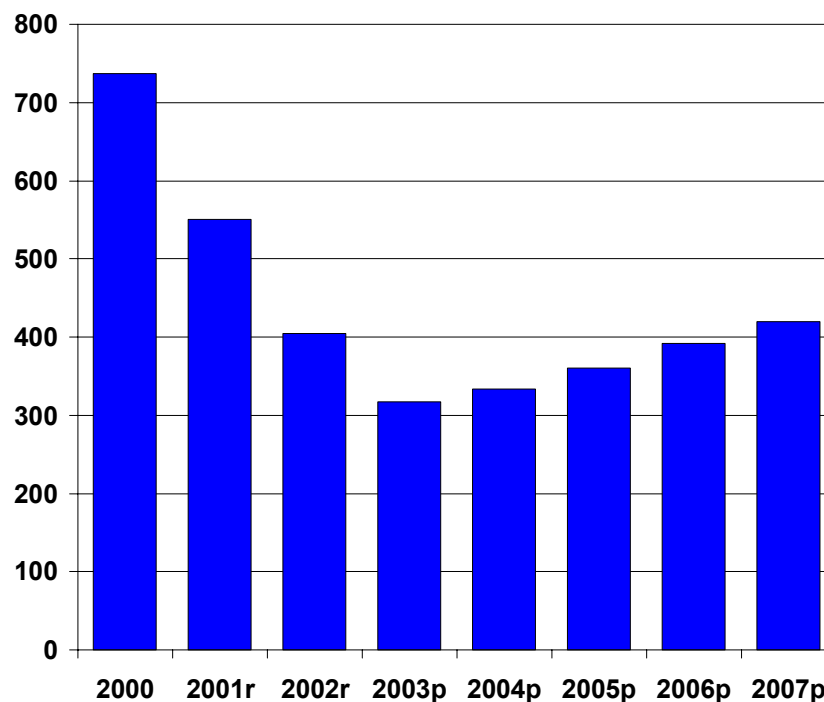
ECONOMIC NEWS

GDP declined by 0.2% in 2003. The government's solution is tax breaks for investment, and GDP is expected to grow by 3.4% in 2004.

TOURISM NEWS

Despite large declines the last three years, visitation should slowly but steadily increase through the year 2007.

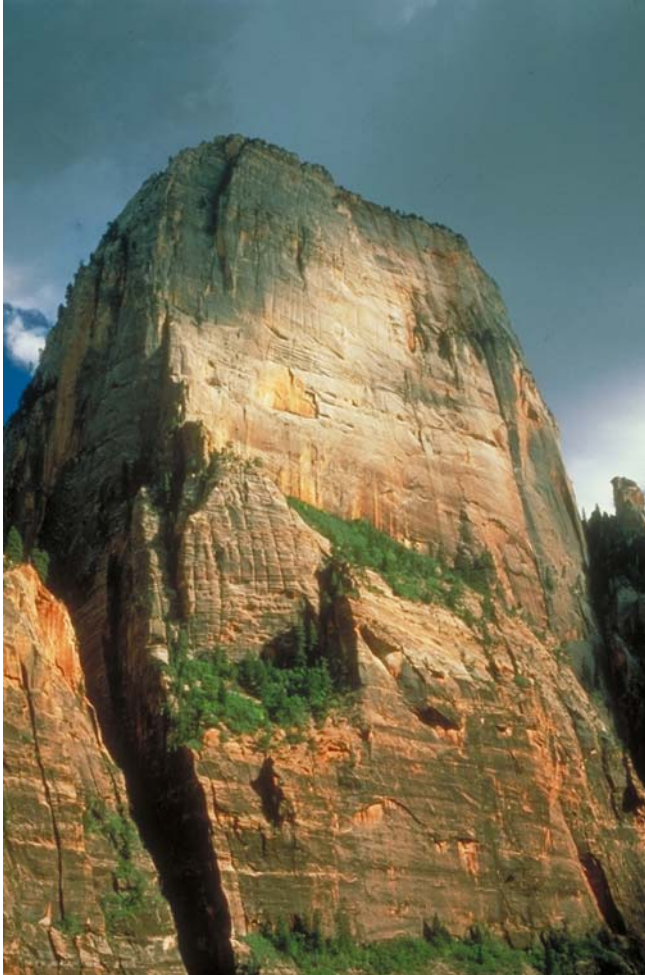
Brazilian Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;
Economist Intelligence Unit – Country Forecast

Utah!

Where ideas connect



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